WEEKLY ECONOMIC REVIEW

MAY 20, 2005

Concerns regarding U.S. inflation receded this week. Although the U.S. CPI inflation rate rose to an annual rate of 3.5% in April, 'core' inflation (which excludes energy and food) fell to 2.2%. Along with recent declines in commodity prices, markets responded positively to the U.S. CPI report.

Canada's CPI inflation rate rose slightly in April, to 2.4%. However, the core inflation rate fell to 1.7% (from 1.9% in March), reinforcing the prevailing market view that the Bank of Canada will refrain from raising its key interest rate on May 25.

After dipping to a 7-month low of 78.56 US cents in intra-day trading on Tuesday, the Canadian dollar rebounded once it seemed likely that the federal government would survive Thursday's no-confidence vote in Parliament. However, gains for the dollar were limited, as Friday's inflation report further diminished expectations of Canadian interest rate increases in the near term.

Canadian retail and wholesale trade data for March were largely positive, indicating continued strength in domestic demand. Alberta's retail and wholesale trade sectors continued to show remarkable strength, with further strong gains in March.

Cdn Dollar (US¢/CS)

May 20, 2005	79.2¢
May 13, 2005	79.2¢
2005-06 YTD	80.4¢

WTI Oil SUS/bbl

May 19, 2005	$46.92
May 12, 2005	$48.54
2005-06 YTD	$51.81

Nymex Natural Gas CS/mcf*

June Contract

May 20, 2005	$8.05
May 13, 2005	$8.19

*estimate based on Nymex Futures Market Price

Economic news from Asia was positive. Growth in China's industrial output accelerated to 16% (year over year) in April, while Japan's economy grew at an annual pace of 5.3% in the first quarter of 2005 – far exceeding market expectations for growth of around 2%.

Energy markets remained on the defensive through most of the week, with U.S. oil stocks reaching a 6-year high. However, prices rebounded on Friday morning after the President of OPEC suggested that the cartel might reduce oil production at its June meeting if stocks continue to build.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Consumer Price Index	April			
Alberta	133.6	0.7%	2.3%	1.8%
Canada	126.9	0.3%	2.4%	2.2%
Retail Trade ($ millions)	March			
Alberta	3,903	0.6%	9.3%	10.4%
Canada	30,409	0.2%	5.7%	6.8%
Wholesale Trade ($ millions)	March			
Alberta	4,464	2.8%	17.4%	17.4%
Canada	39,107	0.5%	5.5%	8.1%

Source: Statistics Canada

[1]*Year-to-date 2005 compared to the same time period in 2004. For example: January-March 2005 versus January-March 2004*